R4105-6A

The Conference Board

Volume 13, Number 9 September 1991

International Economic Scoreboard

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- **Tale of Three Recessions and Recoveries**
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  - **Canada: Mirroring the U.S. Recovery**
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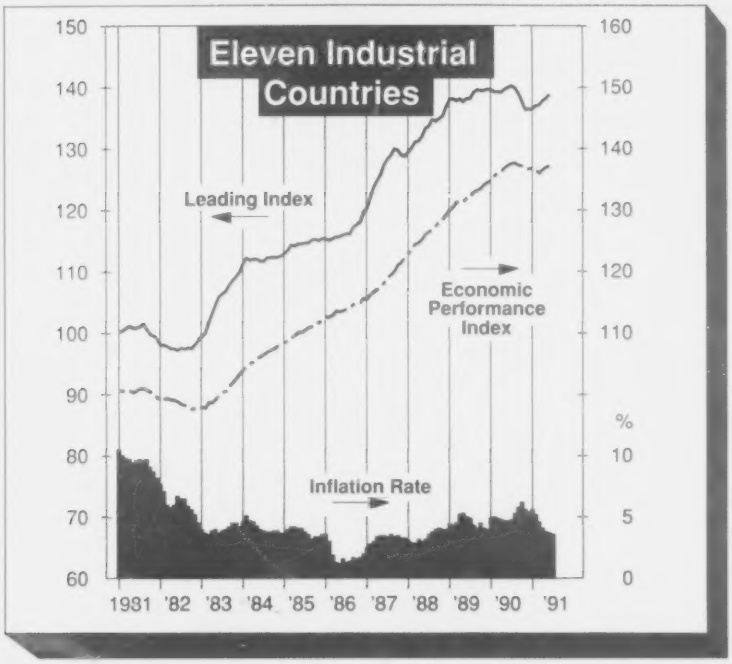
World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	0	-1	0	-4	-2	1	Expansion stopped, leaders improving	June
Ten countries (U.S. excl.)	3	3	2	3	-2	0	1	Expansion continuing, leaders improving	June
North America (2)	3	-5	-7	-4	-6	-4	2	Recession ending, leaders improving	June
Europe (4)	2	3	3	3	0	2	4	Expansion continuing	June
Pacific Region (5)	4	4	3	4	-5	-2	-3	Expansion continuing, leaders weak	June
United States	3	-6	-6	-3	-6	-2	4	Recession ending, leaders improving	July
Canada	3	-5	-6	-3	-7	-7	-1	Recession ending, leaders weak	June
West Germany	2	5	6	5	4	6	4	Expansion continuing	June/May
France	2	5	5	3	-1	4	8	Expansion continuing	May/June
United Kingdom	2	-2	-3	-3	-4	-2	0	Recession ending, leaders improving	June
Italy	2	3	4	0	-3	-1	2	Expansion continuing, leaders improving	Apr./June
Japan	4	6	4	5	-6	-3	-4	Expansion continuing, leaders weak	June
Korea, R.O.K.	7	10	12	8	5	5	7	Expansion continuing	July
Australia	3	-6	-12	-13	-5	-2	6	Recession ending, leaders improving	July
New Zealand	2	-2	-6	-5	-5	-4	-2	Recession ending, leaders weak	June
Taiwan, R.O.C.	8	4	5	6	2	8	8	Expansion continuing	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Tempered Optimism

The global business cycle continues its gradual recovery. The 11-country leading index has increased each month for the past 5 months, and its smoothed growth rate, which recorded a 4 percent rate of decline as recently as last December, has now edged into positive territory. Also, inflation continues to slow, with the 11-nation rate down to 3.6 percent at latest report.

Eight of the eleven countries show at least a moderately rising pattern in their leading indexes in recent months. The most pronounced strength in the forward-looking indexes is seen in Taiwan, Korea and France. The one country still showing weakness is Japan, where the leading index has fallen more than 5 percent since its peak in July 1990. This signal of a slowdown was recently confirmed by Japan's second quarter GNP, which showed a 2 percent growth rate, down sharply from a 11 percent rate in the first quarter. In West Germany and New Zealand, the leading indexes have been flat in recent months, suggesting the business cycle is "on hold" in those countries, at least for the present.

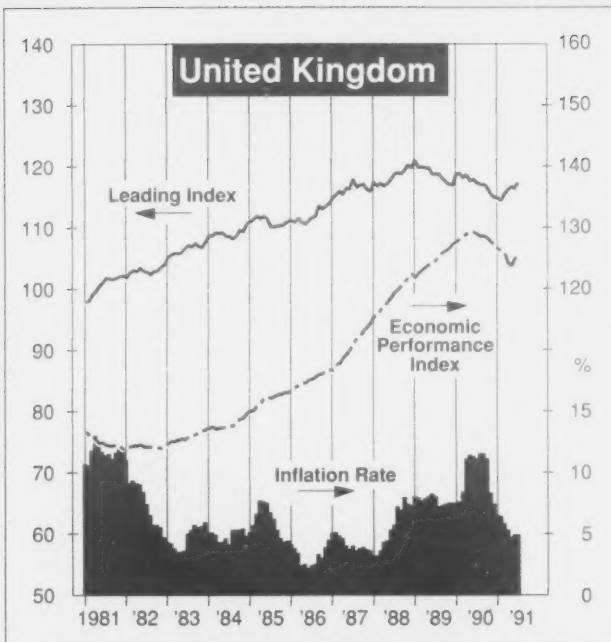
In summary, inflation is subsiding and the global business cycle outlook has improved steadily since the beginning of the year. Nevertheless, with the leading indexes for the three largest countries sending out mixed signals—the United States' index pointing toward a moderate recovery, West Germany's index flat and Japan's declining—it seems sensible to temper our optimism about the global economy.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.6	4.1	3.6	Falling	July
Ten countries (U.S. excl.)	5.2	5.5	4.2	4.0	Falling	July
North America (2)	5.6	6.2	4.2	3.3	Falling	July
Europe (4)	6.6	4.9	4.2	4.7	Volatile	July
Pacific Region (5)	3.4	5.6	3.6	2.8	Falling	July
United States	5.5	5.4	3.8	3.0	Falling	Aug.
Canada	6.5	9.1	6.7	4.8	Falling	July
West Germany	2.9	2.8	2.6	5.1	Rising	July
France	7.3	3.5	3.0	2.9	Falling	June
United Kingdom	7.3	7.1	5.3	4.9	Falling	July
Italy	11.2	7.1	6.4	6.0	Falling	Aug.
Japan	2.5	5.5	3.2	2.4	Falling	July
Korea, R.O.K.	8.1	10.3	10.2	8.5	High but Falling	July
Australia	8.4	7.1	4.4	2.4	Falling	May
New Zealand	11.8	4.5	4.6	2.1	Falling	May
Taiwan, R.O.C.	4.4	3.5	2.5	4.9	Rising	July

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

Countries

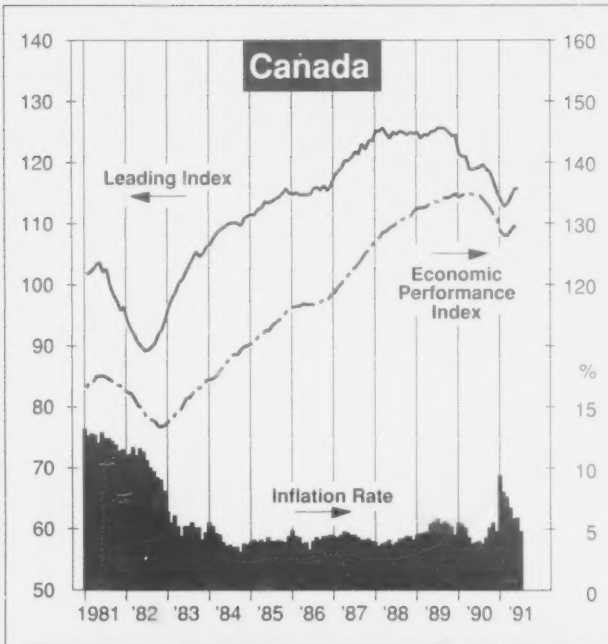


Signs of a Turnaround

The U. K. economy now shows tentative signs of a cyclical turnaround. After a full year of recession, the economic performance index advanced sharply in June and then held onto the gain in July.

This turn was signaled earlier—albeit tenuously—by the upturn in the leading index, which started in March. The component series most responsible for the improvement in the leading index were the manufacturing workweek, common stock prices, and the ratio of prices to unit labor costs (an indicator of profit margins).

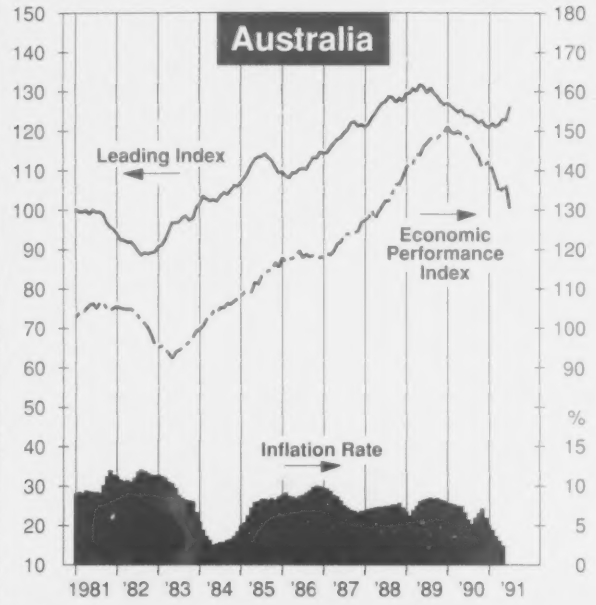
Inflation is easing in the United Kingdom, as it is almost everywhere in the world. The latest inflation rate—for July—is 4.9 percent.



Modest Upswing Developing

The Canadian business cycle appears to have turned from recession to recovery on about the same schedule and perhaps at about the same pace as the United States. The economic performance index for Canada hit bottom in February and March, and has been advancing modestly since then.

The Canadian leading index hit bottom in February, and its subsequent slow-but-steady advance since then suggests the improvement in the economy will continue in the months ahead. The early moving indicators that contributed most to the advance in the leading index include a drop in initial unemployment claims, and gains in new orders for consumer goods and in residential building permits.



Bad News, Good News

The Australian economy has been in a no-holds-barred recession for more than a year and a half—the most severe business cycle downturn of all the nations covered by our data. The sharp July drop in the economic performance index added to the pessimism.

The Australian leading index, however, suggests a more hopeful prospect. Thanks mostly to gains in the money supply, common stock prices, and new construction, the index has been on the rise since January. The advance has been volatile, month to month, but it has persisted, suggesting that a revival of the Down-Under economy may not lie too far ahead.

Another encouraging note is the slowdown in inflation. The rate is now down to 2.4 percent, the second lowest (to New Zealand) among our 11 countries.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co. 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	135	139	140	140	129	136	129	124	159	169
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	131	125	162	168
July	90	138	140	143	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	164	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	133	133	125	164	161
Dec.	90	137	136	145	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	167	163
Feb.	91	136	137	146	139	123	132	134	126	167	164
Mar.	91	136	137	145	139	122	132	134	127	166	163
Apr.	91	136	138	146	139	123	134	134	128	168	162
May	91	137	138	147	139	123	135	134	128	170	162
June	91	137	139	147	139	123	136	135	128	168	161

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	4	1	6	2	0	-1	6	1	7	5
Feb.	4	1	6	3	1	-2	6	0	7	6
Mar.	4	1	6	2	1	-1	6	0	7	4
Apr.	4	0	6	2	0	-2	6	1	8	3
May	4	1	6	2	1	-1	6	1	7	3
June	4	1	6	1	1	0	6	2	7	2
July	4	1	6	2	0	0	6	2	7	2
Aug.	3	0	5	1	0	0	5	2	6	0
Sept.	2	-1	4	-1	-1	-1	5	1	5	-2
Oct.	2	-2	4	-2	-2	-3	4	1	5	-5
Nov.	1	-4	3	-3	-4	-5	4	0	4	-6
Dec.	0	-4	3	-2	-5	-6	3	0	4	-5
Jan.	0	-3	4	-2	-6	-6	4	0	5	-4
Feb.	0	-2	3	-1	-7	-5	3	2	5	-2
Mar.	-1	-2	2	0	-7	-4	3	2	3	-2
Apr.	0	-1	3	0	-6	-2	2	4	5	-3
May	0	0	3	0	-5	0	2	3	6	-3
June	0	1	3	1	-4	2	3	4	4	-3
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Apr.	90	128	138	135	119	125	130	144	129	129	118	118	117	159	168	236	225	150	125	112	116	192	239
May	90	128	139	134	118	127	130	145	130	129	117	119	117	160	169	234	227	150	126	113	117	194	238
June	90	129	140	134	119	127	130	146	131	129	118	119	116	160	169	235	225	150	125	111	116	192	235
July	90	128	140	134	119	128	132	148	131	129	117	119	117	162	169	237	226	149	124	111	116	192	234
Aug.	90	128	140	134	119	129	132	148	131	128	117	120	116	162	168	238	226	147	124	110	115	192	232
Sept.	90	128	139	133	118	129	132	148	130	128	117	120	114	162	166	238	234	145	124	110	115	193	230
Oct.	90	127	137	132	118	130	133	149	129	128	116	120	115	163	163	237	223	144	123	111	115	195	229
Nov.	90	126	135	131	116	130	133	149	129	127	115	120	114	163	161	237	233	141	123	112	114	195	236
Dec.	90	124	134	130	115	130	134	150	128	127	115	121	114	164	162	242	232	142	122	110	113	194	235
Jan.	91	123	134	128	114	133	135	151	129	126	114	122	114	166	163	248	234	143	122	109	113	197	239
Feb.	91	122	134	128	112	133	136	151	130	126	114	122	115	166	164	249	227	141	123	109	112	201	239
Mar.	91	122	134	128	113	133	136	151	132	126	115	122	115	166	163	249	230	138	122	107	112	199	243
Apr.	91	122	135	128	114	134	136	152	135	124	116	120	116	168	162	255	234	135	122	109	114	199	246
May	91	122	137	129	115	133	136	152	135	123	115		116	170	161	253	238	136	124	109	113	202	249
June	91	122	138	129	115	134			137	124	115		116	168	160	250	233	137	123	107	113	202	253
July	91	123	140													254	239	131	127			203	249
		Growth Rates, Percent																					
Apr.	90	0	-2	2	-7	6	3	7	0	4	0	4	0	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-7	8	3	7	1	4	-1	4	0	8	4	8	4	1	-4	5	-2	1	3
June	90	1	0	1	-6	6	3	7	3	3	-1	4	-2	8	3	8	2	0	-5	2	-3	0	0
July	90	1	0	0	-5	8	4	8	4	2	-1	3	-1	8	2	8	2	-2	-5	1	-3	-1	-1
Aug.	90	0	0	-1	-3	8	5	7	2	1	-1	3	-2	8	0	8	2	-4	-4	0	-4	-1	-3
Sept.	90	-1	-1	-1	-4	6	4	6	1	1	-1	3	-5	6	-3	6	8	-6	-4	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-7	-5	0	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-3	1	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	-2	-4	3	-3	6	-6	6	4	-8	-5	-2	-5	0	0
Jan.	91	-6	-6	-7	-8	8	6	6	0	-3	-4	4	-3	6	-4	10	5	-6	-5	-3	-4	4	2
Feb.	91	-7	-4	-7	-9	7	6	5	2	-3	-4	3	-2	6	-3	9	-1	-8	-2	-3	-5	7	2
Mar.	91	-7	-4	-6	-7	6	6	4	4	-3	-2	3	-1	4	-3	8	1	-10	-3	-6	-4	5	6
Apr.	91	-6	-2	-4	-4	6	4	4	7	-6	0	0	1	6	-4	12	5	-12	-2	-3	-2	5	8
May	91	-5	0	-3	-2	4	4	3	7	-5	-1		1	8	-4	8	7	-10	0	-2	-2	6	10
June	91	-4	2	-3	-1	5			8	-3	0		2	5	-4	5	2	-7	0	-5	-2	6	12
July	91	-3	4													8	7	-13	6			6	8
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8